

Pay-for-Performance Principles

Connecticut hospitals are committed to providing the highest quality healthcare to every patient. Pay-for-performance systems can assist hospitals in achieving this goal if the systems are carefully designed to promote appropriate clinical decisions and to provide sufficient resources to support high quality care. Pay-for-performance systems can undermine this goal, however, if they hinder appropriate clinical decisions or limit necessary resources.

Connecticut's not-for-profit hospitals are the state's 24/7 healthcare safety net for all those needing care, but the resources available to support that care are precarious. Over the past decade, Connecticut hospitals have received insufficient reimbursement to cover the cost of care provided to patients, with total losses from patient care totaling \$1.8 billion dollars for the decade. Inadequate reimbursement for the care provided to patients, compounded by rising costs beyond hospitals' control, threatens the financial viability of many hospitals. It is important that pay-for-performance systems ameliorate, rather than exacerbate, these already significant financial challenges by supporting fair and adequate reimbursement for services provided.

The following five principles should be used to guide the development of pay-for-performance systems:

1. The primary goal of pay-for-performance systems should be to facilitate the development of a healthcare system that is safe, effective, patient-centered, timely, efficient, and equitable, and the systems should be designed to support that goal.
2. Pay-for-performance systems should be practical for hospitals to implement.
3. Pay-for-performance systems should ameliorate, not exacerbate, the financial challenges already facing hospitals by providing and aligning physician and hospital incentives, not imposing penalties.
4. Pay-for-performance systems should be based on measures that accurately assess a hospital's performance in delivering quality care.
5. Pay-for-performance systems should compensate a hospital based on its own performance, irrespective of the performance of other hospitals.